

State/Territory: WISCONSIN

COST EFFECTIVENESS DETERMINATION FOR PRIVATE HEALTH INSURANCE BUY IN (PHIBI)

This explains our methodology for determining the cost effectiveness of paying health insurance premiums pursuant to Section 4402 of OBRA of 1990.

Using the Claims Processing Assessment System (CPAS) database, the attached tables were developed showing benefit cost differentials between insured and uninsured recipients in various categories of eligibility with the data broken down according to age and sex. These data are the base of cost effectiveness determinations. The average MA cost for the insured person is increased by a factor in order to compensate for the increase in MA payments required by the need to pay for full coinsurance and deductibles. The adjusted MA benefit cost for the insured person is then subtracted from the average MA cost for the uninsured person to give an adjusted MA benefit cost differential. The adjusted MA benefit cost differential for a person in any category depicted on the charts is then reduced by a cost factor to allow for the new administrative costs PHIBI will cause the state to incur.

According to a 12/22/92 letter from Lucille Renaldo to Kevin Piper, the insurance company national average medical service allowed amount is 160 percent of the average MA allowed amount. We will use 165% in order to be conservative in our BUY IN calculations. We will multiply the average MA cost for insured persons, as reflected in the tables, by 1.65 in order to adjust the average cost for full coinsurance/deductible payments. This adjusted amount will then be subtracted from the MA benefit average cost for uninsured persons to produce an adjusted MA benefit cost differential.

New costs of administering health insurance management, in addition to payment of premiums, copayments and deductibles will be experienced:

- Amortization of the new cost of the system needed to administer PHIBI over the life of the current MA fiscal agent contract (\$325,000 over 2.5 years from the anticipated date of implementation of PHIBI with an expected volume equal to 6,000 cases per year, or \$21.67 - rounded to \$22 - per determination).
- The new cost of information gathering and verification (forty five minutes per case at \$20 per hour, or \$15 per determination).
- The new cost of information updating, such as for changes of payee addresses, redeterminations of cost effectiveness if employers change carriers, redeterminations of cost effectiveness if there is a change in the number of recipients being covered by a plan, etc., (flat amount of \$5).
- The cost of insurance reporting incentive payments at the rate of \$10 per person, 16 recipients per case, or \$16 per determination, plus \$5 per person for updating to end date coverage on file, \$8 per determination, \$24 total per determination.

The total administrative cost equals \$66 per case. Cost effectiveness will, therefore, be determined as follows:

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Cost Effective Amount = MA benefit average cost for uninsured from table
 -(MA benefit average cost for insured from table x 1.65)
 -\$66 for administrative costs

Following is a practical example of the formula:

A step father can insure himself, his non-eligible wife, their non-eligible four year old daughter and the wife's eligible fourteen year old daughter and 9 year old son at a total cost of \$60 per month. The two eligible persons receive regular AFDC (use the table for Group 1, 2, & 3).

6 Month MA benefit average cost for uninsured 14 year old female	\$1,577
6 Month MA benefit average cost for insured 14 year old female	\$ 526
Adjustment Factor of 1.65	x 1.65
Adjusted 6 Month MA benefit average cost for uninsured 14 year old female	\$ 868
Adjusted 6 Month MA benefit average cost differential for 14 year old female . . .	\$ 709
6 Month MA benefit average cost for uninsured 9 year old female	\$ 402
6 Month MA benefit average cost for insured 9 year old female	\$ 163
Adjustment Factor of 1.65	x 1.65
Adjusted 6 Month MA benefit average cost for uninsured 9 year old female	\$ 269
Adjusted 6 Month MA benefit average cost differential for 9 year old female	\$ 133
Total adjusted 6 Month MA benefit average cost differential	\$ 842
Administrative Cost Adjust Factor of - \$66	-\$ 66
Total adjusted 6 Month MA benefit average cost differential minus admin. cost . .	\$ 776
6 Month Premium Cost	\$ 360

Decision: Accept for payment of premium

ADDITIONAL CRITERIA:

When one or more persons who are eligible for MA can be insured under a plan sponsored by one person and one or more of those eligible has a catastrophic illness, cost effectiveness is presumed, if the individual is not eligible for Medicare. Catastrophic illnesses include, but are not limited to cancer, sickle cell anemia, sickle cell trait, chronic renal failure, liver failure, HIV infection, AIDS, serious cardiac problems, costly residuals of profound injury, etc. If the individual is eligible for Medicare, a case-by-case determination will be made, based on such historical information as is available.

The decision to assume that recipients with catastrophic illness are cost effective to buy in is based on previous experience in the Third Party Liability area, using standard S/UR reports. S/UR reports will be used in course of deciding whether to buy in recipients for insurance. The list of illnesses above defined as catastrophic has been established using our past experience in this area.

For similar reasons, if the only MA recipient in a case is pregnant, cost effectiveness is presumed.

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**WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES
MEDICAID BENEFIT COST DIFFERENCE BETWEEN INSURED AND UNINSURED RECIPIENTS**

Dates of Service: April 1, 1990 Through September 30, 1990

Data Source: Claims Processing Assessment System (CPAS)

(Attachment 4.22c, pg 3)

GROUP 1, 2, 3 - AFDC, AFDC-U, EXTENDED, AFDC CAT. AND MED NDY, PREGNANT WOMEN, 133, 155 PCT., INTACT FAMILIES, ETC.

		6 MONTH DATA										
		UNINSURED			INSURED							
SEX	AGE	NUMBER OF RECIPIENTS	TOTAL PAID	AVERAGE MA PAID	NUMBER OF RECIPIENTS	TOTAL PAID	AVERAGE MA PAID	6 MONTH AVERAGE SAVED	SAVED PER MONTH	PCT OF UNINSURED COST SAVED		
M-F	0-1	20,455	\$15,487,477	\$757	238	\$52,834	\$222	\$535	\$89.20	70.7%		
M-F	2-5	27,951	11,623,279	416	594	117,577	198	218	36.30	52.4%		
M-F	6-11	30,906	12,423,024	402	732	119,158	163	239	39.87	59.5%		
M	12-18	9,311	6,770,843	727	226	93,210	413	315	52.44	43.3%		
F	12-18	11,235	17,719,373	1,577	290	152,451	526	1,052	175.27	66.7%		
M	19-45	9,632	7,996,631	830	77	22,547	291	539	89.84	64.9%		
F	19-45	40,259	75,324,494	1,871	457	297,161	650	1,221	203.46	65.2%		
M	46+	1,101	1,775,378	1,612	11	8,662	819	794	132.28	49.2%		
F	46+	1,628	2,778,705	1,707	19	8,329	437	1,270	211.67	74.4%		
TOTALS		152,477	\$151,899,204	\$996	2,644	\$871,927	\$330	\$666	\$111.08	66.9%		

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GROUP 4 - AFDC - FOSTER HOMES

		-----6 MONTH DATA-----							
		-----UNINSURED-----			-----INSURED-----				
SEX	AGE	NUMBER OF RECIPIENTS	AVERAGE MA PAID	NUMBER OF RECIPIENTS	AVERAGE MA PAID	6 MONTH AVERAGE SAVED	SAVED PER MONTH	PCT OF UNINSURED COST SAVED	
M-F	0-1	557	\$1,633	0	\$0	N/A	N/A	N/A	
M-F	2-5	873	1,131	2	194	936	156.05	82.8%	
M-F	6-11	1,108	1,878	12	1,956	(78)	(13.01)	-4.2%	
M	12-18	1,367	2,259	65	789	1,469	244.90	65.1%	
F	12-18	1,104	3,022	41	4,370	(1,348)	(224.70)	-44.6%	
M	19-45	17	547	0	0	N/A	N/A	N/A	
F	19-45	30	7,793	0	0	N/A	N/A	N/A	
M	46+	1	2,098	0	0	N/A	N/A	N/A	
F	46+	1	235	0	0	N/A	N/A	N/A	
TOTALS		5,057	\$2,105	120	\$2,128	\$680.18	\$113.36	-1.1%	

GROUP 6 - STATE SUBSIDIZED ADOPTIONS

		-----6 MONTH DATA-----							
		-----UNINSURED-----			-----INSURED-----				
SEX	AGE	NUMBER OF RECIPIENTS	AVERAGE MA PAID	NUMBER OF RECIPIENTS	AVERAGE MA PAID	6 MONTH AVERAGE SAVED	SAVED PER MONTH	PCT OF UNINSURED COST SAVED	
M-F	0-1	15	\$750	0	\$0	N/A	N/A	N/A	
M-F	2-5	144	2,466	3	44	2,422	403.71	98.2%	
M-F	6-11	474	1,035	13	150	885	147.42	85.5%	
M	12-18	299	1,075	13	300	775	129.12	72.1%	
F	12-18	248	823	14	863	(40)	(6.63)	-4.3%	
M	19-45	10	1,830	2	0	1,830	305.05	100.0%	
F	19-45	6	917	0	0	N/A	N/A	N/A	
M	46+								
F	46+								
TOTALS		1,196	\$1,174	44	\$403	\$772	\$128.60	65.7%	

GROUP 7 - KATIE BECKETT

		-----6 MONTH DATA-----							
		-----UNINSURED-----			-----INSURED-----				
SEX	AGE	NUMBER OF RECIPIENTS	AVERAGE MA PAID	NUMBER OF RECIPIENTS	AVERAGE MA PAID	6 MONTH AVERAGE SAVED	SAVED PER MONTH	PCT OF UNINSURED COST SAVED	
M-F	0-1	248	\$3,118	40	\$3,768	(650)	(\$108.34)	-20.3%	
M-F	2-5	461	3,187	57	3,761	(574)	(95.73)	-18.0%	
M-F	6-11	464	3,158	66	4,270	(1,112)	(185.39)	-35.2%	
M	12-18	171	2,896	10	1,930	966	160.93	33.3%	
F	12-18	124	3,245	13	2,799	446	74.34	13.7%	
M	19-45								
F	19-45								
M	46+								
F	46+								
TOTALS		1,469	\$3,134	185	\$3,777	(\$644)	(\$107.28)	-20.5%	

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GROUP 8 - SSI DISABLED, NOT IN INSTITUTION

		-----6 MONTH DATA-----								
		-----UNINSURED-----			\\	-----INSURED-----			\\	
SEX	AGE	NUMBER OF RECIPIENTS	AVERAGE MA PAID	\\	NUMBER OF RECIPIENTS	AVERAGE MA PAID	\\	6 MONTH AVERAGE SAVED	SAVED PER MONTH	PCT OF UNINSURED COST SAVED
M-F	0-1	313	\$16,749	\\	5	\$5,169	\\	11,580	\$1,929.98	69.1%
M-F	2-5	1,068	5,917	\\	17	8,108	\\	(2,191)	(365.15)	-37.0%
M-F	6-11	2,061	3,404	\\	26	1,968	\\	1,436	239.29	42.2%
M	12-18	1,649	2,789	\\	12	1,438	\\	1,351	225.16	48.4%
F	12-18	1,187	3,313	\\	15	2,538	\\	776	129.26	23.4%
M	19-45	15,490	2,456	\\	28	6,517	\\	(4,061)	(676.83)	-165.4%
F	19-45	13,552	2,975	\\	40	2,032	\\	943	157.20	31.7%
M	46+	7,338	1,922	\\	8	4,092	\\	(2,170)	(361.60)	-112.9%
F	46+	15,121	2,212	\\	25	4,087	\\	(1,875)	(312.46)	-84.7%
TOTALS		57,778	\$2,648	\\	175	\$3,792	\\	(\$1,144)	(\$190.63)	-43.2%

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